

## Message Text

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ORIGIN AF-04

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

C O N F I D E N T I A L STATE 063105

LIMDIS

E.O. 11652: GDS

TAGS: ECON, EFIN, CG

SUBJECT: INGA-SHABA LINE

1. WEHRMAN OF FNCB MENTIONED TO AF/C LATE MARCH 18, IN COURSE OF DISCUSSION OF OTHER SUBJECTS, THAT SNEL LOCAL CURRENCY DISBURSEMENT FOR CIS PLANNED FOR MARCH 20 WOULD BE DELAYED. DOCUMENTARY REQUIREMENTS ARE INCOMPLETE, AND, ACCORDING TO WEHRMAN, "SOME OF THE CONSORTIUM MEMBERS" ARE INSISTING THAT ALL THE I'S BE DOTTED AND T'S CROSSED. OUTSTANDING SPECIFICALLY IS LETTER FROM SNEL ACKNOWLEDGING EXISTENCE OF EVENT OF DEFAULT. ONCE THIS IS RECEIVED, TELEXED TO NEW YORK, AND JUDGED TO BE CORRECT, CONSORTIUM MEMBERS WILL BE CALLED UPON TO DISBURSE WITHIN FIVE WORKING DAYS.

2. ALTHOUGH FNCB HAS BEEN AWARE FOR AT LEAST A WEEK THAT DISBURSEMENT WOULD PROBABLY BE DELAYED, IT DID NOT INFORM

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MORRISON-KNUDSEN UNTIL MARCH 19 AND THEN APPARENTLY ONLY

AT SUGGESTION OF AF/C. M-K OFFICIALS UNDERSTANDABLY UPSET AND BELIEVE THEY MIGHT HAVE HELPED EXPEDITE DELIVERY OF REQUIRED DOCUMENT IN KINSHASA. DELAY WILL FURTHER HOBBLE PROJECT WORK. WHEN HE DID INFORM M-K OF SITUATION, WEHRMAN WARNED THEM THAT IN FUTURE BANKS WOULD BE SCRUPULOUS ABOUT DOCUMENTARY REQUIREMENTS; AS PART OF THIS, THEY WILL NO LONGER DEPEND UPON CERTIFICATION OF RECEIPT FROM SPINK BUT WILL REQUIRE TELEGRAPHIC TRANSMITTAL OF DOCUMENTS TO NEW YORK FOR INSPECTION BY LAWYERS BEFORE MAKING DISBURSEMENTS. COMMENT: PRESUME BANKS ARE ACTING TO ENSURE THAT THERE IS NO DEFECT WHICH COULD INVALIDATE THEIR GUARANTEE.

3. SPENCER, PRESIDENT OF M-K INTERNATIONAL, HAS INFORMED DEPT. THAT CIS WILL BE APPLYING FOR NEW DRAWING OF OVER 1 MILLION DOLLARS END NEXT WEEK, WITH EXPECTATION OF DISBURSEMENT FIRST PART APRIL. IF DELINQUENT PAYMENT TO EXIMBANK HAS NOT BEEN MADE BY THAT TIME, SITUATION WILL BE RIGHT BACK WHERE IT WAS WHEN FNCB CALLED UPON EXIM TO AFFIRM GUARANTEE FOR THE TWO DISBURSEMENTS NOW PENDING.

4. IT IS OUR IMPRESSION, BASED ON DISCUSSION WHICH WE INITIATED WITH SPENCER AND M-K TREASURER, THAT M-K MANAGEMENT WANTS TO STICK WITH PROJECT, WHICH IS PROFIT-ABLE FOR THEM AS LONG AS THEY ARE PAID, AND THAT THEY ARE NOT RPT NOT LOOKING FOR EXCUSE TO TERMINATE. IT IS ALSO OUR IMPRESSION, HOWEVER, THAT THEY WILL NOT CONTINUE ON IF IT MEANS PUTTING COMPANY MONEY AT RISK. CONTRARY TO EARLIER REPORT, FNCB OVERDRAFT WHICH WAS ARRANGED TO KEEP WORK GOING PENDING DELAYED DISBURSEMENTS WAS COLLATERALIZED NOT BY M-K ASSETS BUT BY TRUST FUND MONEY FROM PROJECT DOLLAR LOAN, AN ARRANGEMENT WHOSE LEGALITY SPENCER HAS EXPRESSED SOME NERVOUSNESS ABOUT. SHOULD COMPANY BE PUT INTO POSITION WHERE CONTINUED OPERATION APPEARS TO INVOLVE UNACCEPTABLE FINANCIAL RISKS, THEY COULD PULL OUT, ACCORDING TO SPENCER, WITHOUT INCURRING ANY FINANCIAL LOSS BEYOND THAT OF HALF A MILLION TO A MILLION DOLLARS IN RETAINED PROFITS. ALL EQUIPMENT IN COUNTRY BELONGS TO SNEL. PRINCIPAL INHIBITION FOR COMPANY IF THAT POINT WERE REACHED WOULD BE CONCERN FOR SAFETY OF CONFIDENTIAL

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THEIR 400 NON-ZAIRIAN EMPLOYEES.

5. COMMENT: WHILE DEFERRING TO AMBASSADOR'S JUDGEMENT, WE BELIEVE TIME MAY HAVE COME TO WARN SNEL AND GOZ THAT PROJECT CANNOT STUMBLE ON INDEFINITELY WITH ONE OR ANOTHER OF THE PROJECT LOANS IN DEFAULT. INGERSOLL

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